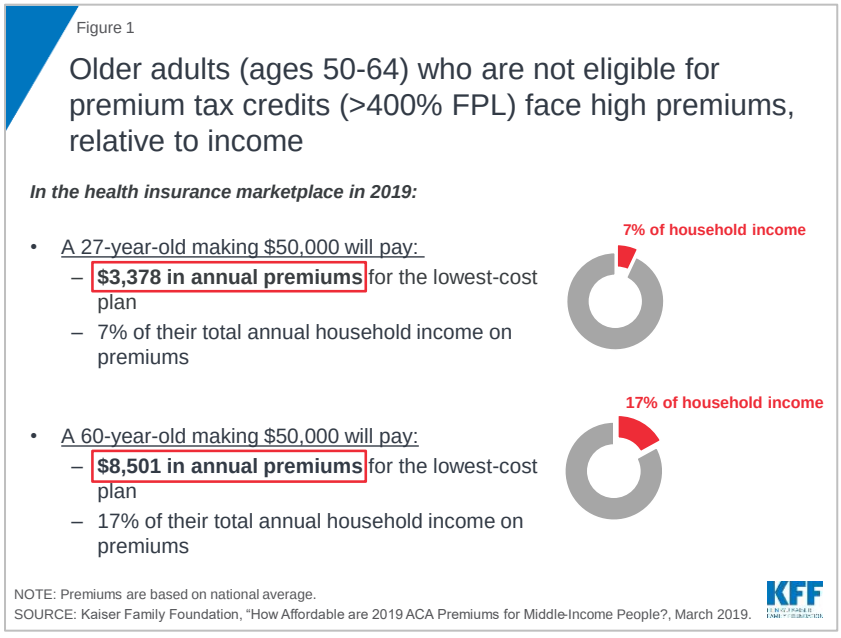
Questions for the Record for Tricia Neuman, Sc.D.

Ways and Means Full Committee Hearing Entitled “Pathways to Universal Coverage”

Question: ***There are currently more than 60 million Americans aged 50-64, a significant number of whom are un- or underinsured. My bill, the Medicare Buy-In and Health Care Stabilization Act, would allow people in that age group to buy into Medicare, offering them another option to get quality, affordable health insurance. Why is the 50-64 population particularly vulnerable in the current private insurance market, and why would a Medicare buy-in make sense to offer them relief?***

Response: Health insurance matters to people of all ages, but is particularly important for older adults with multiple chronic conditions and unanticipated medical needs. The Affordable Care Act (ACA) helped make health insurance more available to people with health problems, including adults ages 50 to 64, by prohibiting insurers from denying coverage based on pre-existing conditions. Yet older adults continue to face relatively high premiums in the ACA marketplace, particularly if they do not qualify for premium subsidies.

For middle-income adults, premiums in the marketplace can be unaffordable. A 60-year-old non-smoker making $50,000 a year, for example, would pay about $8,500 in premiums in 2019 for the lowest-cost marketplace plan, accounting for 17 percent of his or her income, whereas a 27-year-old with the same income would pay about $3,400 in premiums, or 7 percent of their income (**Figure 1**).[1]



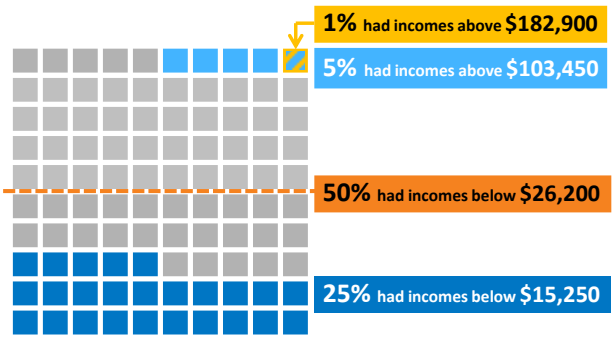
A Medicare buy-in option could provide older adults with a more affordable option, while retaining the option for people to purchase private insurance if they prefer to do so. A buy-in option, such as the one proposed in the Medicare Buy-In and Health Care Stabilization Act, would give older adults the opportunity to apply their marketplace premium tax credits to purchase Medicare coverage, with enhanced cost-sharing subsidies to limit their out-of-pocket liability. The buy-in option under this bill would use Medicare hospital, physician and other provider rates, which are lower than commercial rates, to reduce premiums for the buy-in population.[2] The bill would also establish a new public Medigap option for the buy-in population (and for people covered under the current Medicare program) to provide additional cost-sharing protection to address the lack of an out-of-pocket spending limit in traditional Medicare.

Question: ***While Medicare is an amazing and often life-saving program, we know that it is not perfect. In addition to discussing how we might best expand coverage and ensure all Americans are able to get the health care they need, we should also consider what we could do right now to strengthen and improve the existing Medicare program for the millions of seniors who currently benefit from it. Where do some of the current gaps in Medicare coverage exist, and what can Congress do to improve this program to make sure no senior ever has to go without needed care?***

Response: The Medicare program plays a key role in providing health and medical services to more than 60 million older people and younger people with disabilities.3 However, the Medicare program has high cost-sharing requirements and gaps in coverage that can expose people to high out-of-pocket costs, a challenge for many beneficiaries with limited incomes. In fact, half of all people on Medicare lived on incomes of less than $26,200 per person in 2016 (**Figure 2**).

Figure 2

Half of all Medicare beneficiaries had incomes below $26,200 per person in 2016

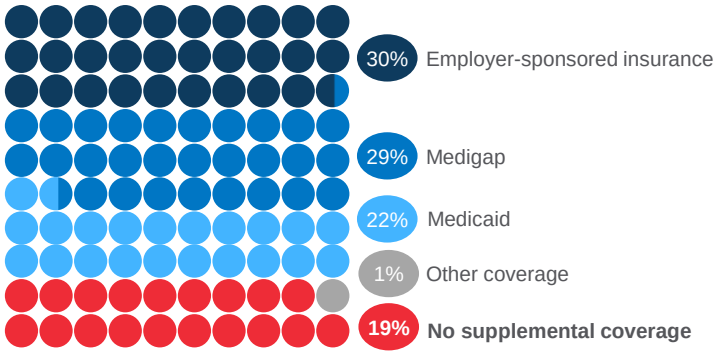


SOURCE: Kaiser Family Foundation, "Income and Assets of Medicare Beneficiaries, 2016-2035," April 2017.

Traditional Medicare is unusual in that it does not have a limit on out-of-pocket spending for physician, hospital, and other services covered under Parts A and B, which exposes beneficiaries to significant costs, unless they have supplemental insurance from another source, or enroll in a Medicare Advantage plan; premiums for supplemental coverage can also be pricey.

Figure 3

Distribution of Types of Supplemental Coverage Among Beneficiaries in Traditional Medicare in 2016



2016 Total = 32.4 Million Traditional Medicare Beneficiaries

SOURCE: Kaiser Family Foundation, "Sources of Supplemental Coverage Among Medicare Beneficiaries in 2016," November 2018.

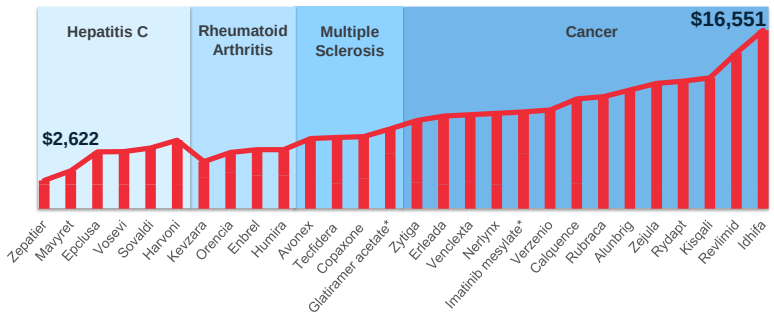
Yet, without supplemental coverage, beneficiaries in traditional Medicare face $1,964 in deductibles alone for their Part A ($1,364 per benefit

period), Part B ($185), and Part D ($415 for the standard benefit) in 2019. An estimated 6 million Medicare beneficiaries have no supplemental coverage to help budget for these expenses (**Figure 3**).[4]

Figure 4

Medicare Part D enrollees can face thousands of dollars in out-of-pocket costs for specialty drugs

Median annual out-of-pocket costs for selected specialty tier drugs, 2019:



SOURCE: Kaiser Family Foundation, "The Out-of-Pocket Cost Burden for Specialty Drugs in Medicare Part D in 2019," February 2019.

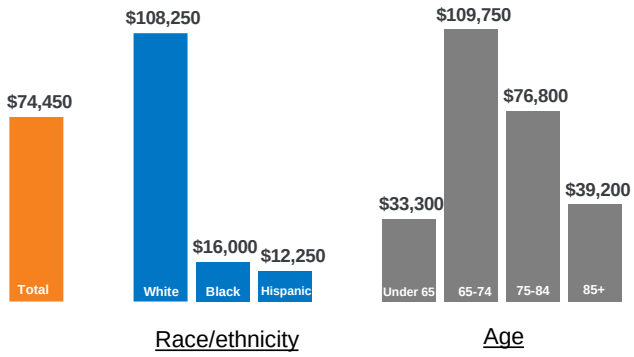
Medicare now covers prescription drugs under Part D, but Part D lacks a hard cap on out-of-pocket spending. As a result, more than 1 million people with Medicare have expenditures above the catastrophic threshold, typically people with serious health conditions, such as cancer, hepatitis and multiple sclerosis, who pay thousands of dollars out-of-pocket annually for relatively high-priced medications (**Figure 4**).[5]

Medicare does not cover routine dental care, eyeglasses or hearing aids. In fact, our analysis found that nearly two-thirds (65%) of all Medicare beneficiaries have no dental coverage, and nearly one in five beneficiaries (19%) spent more than $1,000 on dental care in 2016.[6]

In addition, Medicare does not cover long-term services and supports, such as assisted living, nursing home care, and long-term home and community based care – one of the largest gaps in terms of potential out-of-pocket costs. In 2018, the average annual cost of a semi-private room in a nursing home was nearly $90,000, which is beyond the reach of many older adults, and their families.[7] Half of all Medicare beneficiaries had savings of less than $74,450 per person in 2016 – less than the amount needed to cover one year in a nursing home. Half of all people ages 85 and older –those who are most likely to need long-term services and supports – had less than $40,000 in savings per person (**Figure 5**).[8]

Figure 5

Median per capita savings varies among Medicare beneficiaries, declines with age among seniors, and is significantly lower for black and Hispanic beneficiaries than white beneficiaries



SOURCE: Kaiser Family Foundation, "Income and Assets of Medicare Beneficiaries, 2016-2035," April 2017.

As a result of these benefit gaps and cost-sharing requirements: Traditional Medicare beneficiaries spent, on average, $5,460 out of their own pockets for health care in 2016.[9]

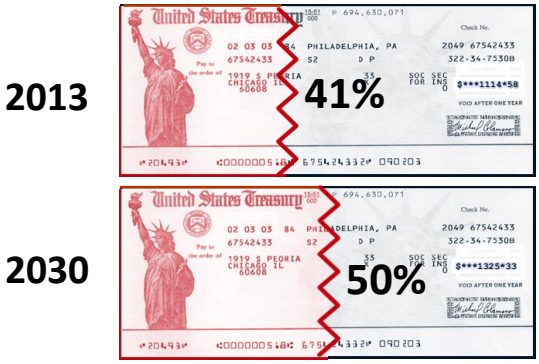
More than one-third of all traditional Medicare beneficiaries spent at least 20% of their per capita income on health care costs in 2013.[10]

Put another way, average out-of-pocket health care costs, including premiums, consumed 41% of the average per capita Social Security benefit for Medicare beneficiaries in 2013 (**Figure 6**).[11]

Addressing these gaps would help to alleviate the financial burden of health care for people with Medicare, but potentially contribute to higher federal spending and/or higher premiums.

Figure 6

Medicare beneficiaries' average out-of-pocket health care spending as a share of average per capita Social Security income is projected to rise from 41% in 2013 to 50% in 2030



SOURCE: Kaiser Family Foundation, "Medicare Beneficiaries' Out-of-Pocket Health Care Spending as a Share of Income Now and Projections for the Future," January 2018.

ENDNOTES

1 Rachel Fehr, Cynthia Cox, Larry Levitt, and Gary Claxton, “How Affordable are 2019 ACA Premiums for Middle-Income People?” (Washington, DC: Kaiser Family Foundation, March 2019), https://www.kff.org/health-reform/issue-brief/how-affordable-are-2019-aca-premiums-for-middle-income-people/

2 Daria Pelech, “An Analysis of Private-Sector Prices for Physicians’ Services,” Congressional Budget Office, January 2018.

3 Kaiser Family Foundation, “An Overview of Medicare,” (Washington, DC: Kaiser Family Foundation, February 2019), https://www.kff.org/medicare/issue-brief/an-overview-of-medicare/

4 Kaiser Family Foundation, “Sources of Supplemental Coverage Among Medicare Beneficiaries in 2016,” (Washington, DC: Kaiser Family Foundation, November 2018), https://www.kff.org/medicare/issue-brief/sources-of-supplemental-coverage-among-medicare-beneficiaries-in-2016/

5 Juliette Cubanski, Wyatt Koma, and Tricia Neuman, “The Out-of-Pocket Cost Burden for Specialty Drugs in Medicare Part D in 2019,” (Washington, DC: Kaiser Family Foundation, February 2019), https://www.kff.org/medicare/issue-brief/the-out-of-pocket-cost-burden-for-specialty-drugs-in-medicare-part-d-in-2019/

6 Meredith Freed, Tricia Neuman, and Gretchen Jacobson, “Drilling Down on Dental Coverage and Costs for Medicare Beneficiaries,” (Washington, DC: Kaiser Family Foundation, March 2019), https://www.kff.org/medicare/issue-brief/drilling-down-on-dental-coverage-and-costs-for-medicare-beneficiaries/

7 Genworth, “Cost of Care Survey 2018,” available at: https://www.genworth.com/aging-and-you/finances/cost-of-care.html

8 Gretchen Jacobson, Shannon Griffin, Tricia Neuman, and Karen Smith, “Income and Assets of Medicare Beneficiaries, 2016-2035,” (Washington, DC: Kaiser Family Foundation, April 2017), https://www.kff.org/medicare/issue-brief/income-and-assets-of-medicare-beneficiaries-2016-2035/

9 Kaiser Family Foundation analysis of the Centers for Medicare & Medicaid Services Medicare Current Beneficiary Survey, 2016.

10 Juliette Cubanski, Tricia Neuman, Anthony Damico, and Karen Smith, “Medicare Beneficiaries’ Out-of-Pocket Health Care Spending as a Share of Income Now and Projections for the Future,” (Washington, DC: Kaiser Family Foundation, January 2018), https://www.kff.org/report-section/medicare-beneficiaries-out-of-pocket-health-care-spending-as-a-share-of-income-now-and-projections-for-the-future-report/

11 Ibid.